

SUTHERLAND ASBILL & BRENNAN LLP
Paul B. Turner (*pro hac vice*)
1001 Fannin Street, Suite 3700
Houston, Texas 77002
Tel: (713) 470-6105

Hearing Date: January 26, 2012 10:00 am
Response Deadline: January 12, 2012

Mark D. Sherrill (*pro hac vice*)
1275 Pennsylvania Avenue, NW
Washington, DC 2004
Tel: (202) 383-0100
Counsel to MidFirst Bank

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 11
)	
LEHMAN BROTHERS HOLDINGS, INC.,)	Case No. 08-13555 (JMP)
)	(Jointly Administered)
Debtors.)	
_____)	

**RESPONSE OF MIDFIRST BANK TO DEBTORS' TWO HUNDRED
FORTY-FIFTH OMNIBUS OBJECTION TO CLAIMS**

MidFirst Bank ("MidFirst") files this Response to Debtors' Two Hundred Forty-Fifth Omnibus Objection to Claims (the "Response") and respectfully states as follows:

Factual Background

1. On January 20, 1999, MidFirst entered into that certain ISDA Master Agreement (the "Master Agreement") with Lehman Brothers Special Financing Inc. ("LBSF").
2. The Master Agreement includes several component parts: a form ISDA Master Agreement, a Schedule negotiated by LBSF and MidFirst (the "Parties"), a form Credit Support Annex (the "CSA") and a Paragraph 13 to the CSA negotiated by the Parties.
3. Exhibit A to the Schedule was an unsigned "Guarantee of Lehman Brothers Holdings Inc."

4. On September 15, 2008 (the “LBHI Petition Date”), LBHI filed a voluntary petition for relief under chapter 11 of the U.S. Bankruptcy Code, commencing the above-captioned bankruptcy case (the “Bankruptcy Case”). On October 3, 2008 (the “LBSF Petition Date”), LBSF filed its own bankruptcy petition under chapter 11 of the Bankruptcy Code.

5. Each of the bankruptcy filings constituted an Event of Default under Section 5(a)(vii) of the Master Agreement. On September 22, 2008, MidFirst exercised its contractual right to terminate all outstanding transactions under the Master Agreement due to the Event of Default triggered by LBHI’s filing by sending a Notice of Termination (the “Termination Notice”) to LBSF. The Termination Notice established September 22, 2008 as the Early Termination Date of the Master Agreement.

6. By letter dated October 28, 2008, MidFirst provided to LBSF its calculations (the “Calculations Notice”) pursuant to Section 6(e) of the Master Agreement. The Calculations Notice indicated that the settlement amount of the terminated transactions under the Master Agreement was \$2,860,394 in favor of LBSF.

7. MidFirst subsequently revised its Section 6(e) calculations, and provided the revisions in its proofs of claim filed in the Bankruptcy Case. Under the revised calculations, the settlement amount of the terminated transactions under the Master Agreement was \$3,990,703.50 in favor of LBSF.

8. At all relevant times, LBSF has held \$7,509,000 (excluding any Interest Amount) in posted collateral (the “Posted Collateral”). Under the terms of the Master Agreement, LBSF was obligated to hold the Posted Collateral in a separate account for the benefit of MidFirst. Pursuant to Paragraph 8(b)(iii) of the CSA, LBSF was obligated to return the Posted Collateral immediately upon the filing of the LBHI bankruptcy petition.

9. In addition, five payments in the aggregate amount of \$499,889.92 (the “Failed Payments”) were due from LBSF to MidFirst in the time between the LBHI Petition Date and the LBSF Petition Date, but were never made.

Procedural Background

10. On September 21, 2009, MidFirst filed two proofs of claim: (a) number 24664 (the “LBSF Claim”), asserting a general unsecured claim against LBSF in the amount of \$4,018,186.42; and (b) number 24663 (the “LBHI Claim”), asserting a general unsecured claim against LBHI in the amount of \$4,018,186.42.

11. On December 31, 2009, MidFirst and LBSF reached a settlement of the outstanding issues concerning the LBSF Claim. On March 23, 2010, MidFirst filed proof of claim number 66417 (the “Amended LBSF Claim”), asserting a general unsecured claim against LBSF in the amount of \$3,850,000.00. The Amended LBSF Claim amended and superseded the LBSF Claim.

12. On December 12, 2011, the Debtors filed their Two Hundred Forty-Fifth Omnibus Objection to Claims (the “Claim Objection”). Exhibit A to the Claim Objection included MidFirst’s LBHI Claim. The Claim Objection asserts that “LBHI has no liability for the [LBHI Claim and similarly situated claims] because they are based on Guarantees that have not been issued by and therefore cannot be enforced against LBHI.” Claim Objection, ¶ 11.

Response

13. MidFirst disputes the contentions in the Claim Objection and requests that the Court enter an Order allowing the LBHI Claim in full.

14. Substantially contemporaneous with this Response, MidFirst is filing its Memorandum of Law in Opposition to Debtors’ Two Hundred Forty-Fifth Omnibus Objection to

Claims (the “MidFirst Brief”). The MidFirst Brief sets forth the bases for this Court to allow the LBHI Claim in full, or otherwise to allow MidFirst to proceed with discovery on the issues contemplated in the Claim Objection.

WHEREFORE, MidFirst respectfully requests that the Court enter an Order (a) overruling the Claim Objection as it pertains to MidFirst’s LBHI Claim; (b) allowing the LBHI Claim in full; and (c) granting MidFirst such further relief as the Court deems just.

Dated: January 11, 2012
Houston, Texas

SUTHERLAND ASBILL & BRENNAN LLP

By: /s/ Paul B. Turner

Paul B. Turner (*pro hac vice*)
1001 Fannin Street, Suite 3700
Houston, Texas 77002
Tel: (713) 470-6100
Fax: (713) 654-1301

Mark D. Sherrill (*pro hac vice*)
1275 Pennsylvania Avenue, NW
Washington, DC 20004
Tel: (202) 383-0100
Fax: (202) 637-3593

COUNSEL TO MIDFIRST BANK